

Message Text

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SUBJECT: "CAP" ON INTERNATIONAL BANK SALARIES

THE FOLLOWING ARTICLE FROM THE WASHINGTON POST OF
JULY 23, 1977 IS QUOTED FOR YOUR INFORMATION:

QUOTE. BLUMENTHAL ASKS 'CAP' ON INTERNATIONAL BANK
SALARIES BY HOBART ROWEN

TREASURY SECRETARY W. MICHAEL BLUMENTHAL PLANS
TO ASK THE HEADS OF THE WORLD BANK AND INTERNATIONAL
MONETARY FUND TO PUT A "CAP" ON FURTHER INCREASES IN THE
TAX-EXEMPT SALARIES THOSE INSTITUTIONS PAY.

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BECAUSE OF THE EXEMPTION THE SALARIES ARE 30
TO 40 PERCENT HIGHER THAN THEY LOOK, AND ALSO ABOUT THE
SAME PERCENTAGE ABOVE THOSE PAID FOR COMPARABLE US
GOVERNMENT JOBS.

BLUMENTHAL IN AN INTERVIEW SCORED THE BANK AND IMF
SALARY LEVELS AS "EXCESSIVE" AND WARNED THAT "IF WE

CAN'T PUT SOME LIMITS" ON THE PAY AT INTERNATIONAL AGENCIES, CONGRESS IS LIKELY TO PLACE RESTRICTIONS ON US CONTRIBUTIONS TO THEM.

THE DISCREPANCY BETWEEN PAY LEVELS AT THE INTERNATIONAL LENDING INSTITUTIONS AND US SCALES COMES ABOUT BECAUSE THEY PICK UP THE TAX BILLS FOR US CITIZENS AND PAY GENEROUS ALLOWANCES FOR DEPENDENTS.

AS AN EXAMPLE, BLUMENTHAL POINTED OUT THAT EDWARD FRIED, US EXECUTIVE DIRECTOR FOR THE

WORLD BANK, IS PAID DOLLAR 47,500. THEORETICALLY, THAT'S A NOTCH BELOW AN ASSISTANT SECRETARY OF THE TREASURY AT DOLLAR 50,000. BUT BLUMENTHAL ESTIMATED THAT FRIED'S TAX-EMEMPT PAY IS THE EQUIVALENT OF A TAXABLE DOLLAR 75,000 TO 80,000, OR BETTER THAN ANY-ONE IN THE U.S. GOVERNMENT EXCEPT THE PRESIDENT AND VICE PRESIDENT.

WORLD BANK PRESIDENT ROBERT S. MCNAMARA IS PAID THE EQUIVALENT OF DOLLAR 116,000, AGAINST BLUMENTHAL'S CABINET LEVEL SALARY OF DOLLAR 66,000.

ACCORDING TO A WORLD BANK SPOKESMAN, THE BANK REIMBURSES IT US EMPLOYEES, DOLLAR FOR DOLLAR, UNCLASSIFIED

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FOR FEDERAL AND STATE TAXES, AT A COST OF ABOUT 15 MILLION A YEAR. THAT PROVIDES A SALARY WORTH UP TO DOLLAR 90,000 FOR ANY AMERICAN WHO HAPPENS TO BE A BANK VICE-PRESIDENT, UP TO DOLLAR 70,000 FOR A DEPARTMENT HEAD, AND AROUND DOLLAR 60,000 FOR A SENIOR SPECIALIST, SUCH AS AN ECONOMIST. IMF SCALES ARE SIMILAR.

"WE'RE VERY MUCH CONCERNED ABOUT THIS PROBLEM," BLUMENTHAL SAID. "WE JUST DON'T THINK THAT EXCESSIVE SALARIES CONSIDERABLY ABOVE VIRTUALLY EVERYBODY IN THIS GOVERNMENT ARE ESSENTIAL...THE FACT IS THEY CREATE GREAT DIFFICULTY FOR US TO GET THE COLLABORATION OF THE CONGRESS."

HE CITED THE RECENT ACTION OF THE SENATE

APPROPRIATIONS COMMITTEE THAT REPORTED AN AID BILL TO THE FLOOR REDUCING SALARIES OF SIX TOP US OFFICIALS AT THE WORLD BANK, THE INTER-AMERICAN BANK, AND THE ASIAN DEVELOPMENT BANK FROM THE DOLLAR 80,000 LEVEL TO A MAXIMUM OF DOLLAR 50,000. WHETHER THIS

PROVISION SURVIVES A CONFERENCE SESSION WITH
THE HOUSE REMAINS TO BE SEEN.

BLUMENTHAL WAS ALSO HIGHLY CRITICAL OF "LAVISH"
SUBSIDIES HE SAID THE LENDING AGENCIES PAY FOR
"RESTAURANTS, TRAVEL OF WIVES, ALL SORTS OF THINGS."
IN A RECENT FLOOR SPEECH, REP. C. W. YOUNG (R-FLA)
CHARGED THAT THE WORLD BANK MAKES PERSONAL LOANS TO
EMPLOYEES AT 4 PERCENT INTEREST USING FUNDS INTENDED
"FOR THE POOREST OF THE POOR."

OFFICIALS AT THE AGENCIES VIGOROUSLY CONTEST
THE CHARGE THAT THEIR SALARIES ARE TOO HIGH. A
WORLD BANK SPOKESMAN SAID IN AN INTERVIEW THAT BANK
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SALARIES ARE LESS THAN THOSE PAID BY THE UNITED
NATIONS, OR BY THE EUROPEAN COMMON MARKET IN
BRUSSELS. AT ALL THE AFFECTED AGENCIES THE ARGUMENT
IS MADE THAT HIGH SALARIES ARE NECESSARY TO
ATTRACT HIGHLY QUALIFIED PROFESSIONALS.

THE TAX-EMEMPT STATUS PROVIDES A NET BENEFIT
FOR A U.S. EMPLOYEE OF THE BANK, COMPARED WITH
U.S. SALARIES, THE SPOKESMAN CONCEDED, "BUT ONLY
BECAUSE WE ARE IN THE BUSINESS OF SUSTAINING REAL
WAGES, AS DO MOST GOVERNMENTS, WITH THE NOTABLE
EXCEPTION OF THE U.S. GOVERNMENT."

THE BANK SPOKESMAN SAID THAT THE AVERAGE REAL
WAGE IN THE BANK HAS RISEN LESS THAN 1 PER CENT
A YEAR SINCE 1970, AND EMPHASIZED THAT "TAX DOLLARS"
SUPPORTING NATIONAL CONTRIBUTIONS TO THE
BANK "DO NOT PAY (OUR) SALARIES." THE MONEY, HE
SAID, COMES OUT OF BANK EARNINGS ON LOANS.

"WE RESERVE THE RIGHT TO DETERMINE HOW TO
OPERATE (THE WORLD BANK) EFFECTIVELY," HE
SAID, "AND OUR SALARY STRUCTURE IS PART OF
THAT." AS FOR YOUNG'S REPORT OF LOW-INTEREST LOANS,
HE SAID THEY HAD BEEN MADE LARGELY TO NON-AMERICANS
SETTLING HERE FOR THE FIRST TIME, AND THAT NONE OF
THE FUNDS CAME FROM MONEY EARMARKED FOR LOANS.

A KEY IMF OFFICIAL SAID THE AGENCY "HAS TO PAY
A SIGNIFICANT EXPATRIATION ALLOWANCE TO GET PEOPLE
TO COME HERE. WASHINGTON IS NOT REGARDED AS THAT
IDEAL."

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BUT BLUMENTHAL INSISTS THAT "WE WILL HAVE TO
DEAL WITH THIS (SALARY PROBLEM) IN SOME PRACTICAL

WAY," PROBABLY IN STEP-BY-STEP NEGOTIATIONS WITH
MCNAMARA AND IMF MANAGING DIRECTOR H.J. WITTEVEEN.

BLUMENTHAL RECOGNIZES THAT THE SALARY ISSUE
IS A DIFFICULT AND SENSITIVE ONE FOR MCNAMARA AND
WITTEVEEN TO HANDLE. NO ONE OBJECTS TO SALARY LEVELS
EXCEPT THE UNITED STATES. AN EFFORT BY FORMER
TREASURY SECRETARY WILLIAM E. SIMON TO BLOCK AN IMF
INCREASE LAST YEAR RESULTED IN A ONE-DAY WALKOUT.

"THE QUESTION IS: 'WHAT IS AN ADEQUATE SALARY TO
ATTRACT COMPETENT PEOPLE FROM DIFFERENT COUNTRIES TO
COME HERE TO DO THIS JOB?' WASHINGTON IS NOT
THE SAHARA DESERT, AND I REALLY DON'T THINK YOU
HAVE TO PAY SOMEONE DOLLAR 100,000 AND GIVE THEM
ALL THESE FRINGES TO BRING THEM HERE," BLUMENTHAL
SAID. END QUOTE

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